

RECESSED MEETING OF JUNE 3, 2003

Continued

June 4, 2003

12:00 noon

The City Council of the City of Salisbury met at 12:00 noon, on Wednesday, June 4, 2003, in the Council Room of the Municipal Building pursuant to the recess of the regular meeting on June 3, 2003, with the following members being present and absent:

PRESENT: Burgin, Kennedy, Kluttz, Martin, Woodson

ABSENT: None.

Mayor Kluttz opened the meeting and Councilman Kennedy gave the invocation.

Staff members present were the same as the June 3, 2003 meeting with the addition of : Vernon Sherrill, Public Services Director and Rick Fesperman, Assistant Fire Chief.

BUDGET WORKSHOP

City Manager Treme informed Council that a 1.87% water/sewer rate increase is being recommended. The current water/sewer connection fees have not been increased since 1987, he stated. Mr. Treme also recommended using the Building Block Analysis Sheet for Council to prioritize the proposed FY-2003-04 Budget.

Mr. Matt Bernhardt, Assistant City Manager for Utilities, briefed Council on the Salisbury-Rowan Utilities concerning personnel and new water/sewer fees as follows:

Summary of Personnel Changes

- Only five (5) **new** positions requested in Utilities -
 - instead of seven requested
 - (still less employees than three years ago - 100 employees)
 - (will now be 99)
- Only three and one-half (3.5) **new** positions are requested
 - in the General Fund
- Total actual equals 8.5 positions, as opposed to 11.5 in the budget draft
- Utilities Engineering (two new and one existing)
 - Project Coordinator
 - GIS Analyst
 - GIS Technician (moved from General Fund during current fiscal year)
- Utilities Systems Maintenance (three new and two existing)
 - I&I Crew Supervisor
 - I&I Technicians (2)
 - Crew Supervisor (existing)
 - Maintenance Technician (existing)
- Wastewater Treatment (existing)
 - Wastewater Treatment Plant Operator - Permanent Part-Time

Mr. Bernhardt reviewed with Council the following fee changes in the budget:

- 1.87% average residential water and sewer rate increase
- Fee changes reflect emphasis on fee-for-service provided principle
 - (where cost is recovered, not subsidized by the rates)
- Water and Sewer Connection Fee Changes

- Elimination of frontage charges
- Reduced fees only in annexation areas
- o Water and Sewer Plan Review Fees of \$200 for each set of plans
(\$200 water/\$200 Sewer)
- o Septage Fee increased to \$65/2000 gallon load (from \$28/2000 gallon load)

Current Water & Sewer Connection Fees

- Remain unchanged since 1987
- Average cost to the City of installation is more than twice current fee
- Do not include added installation costs due to new larger distribution and collection lines and automated meter reading (AMR) costs
- Eight area jurisdictions have higher fees

Mr. Bernhardt reviewed with Council the current cost comparison inside and outside city as follows:

- o Current residential ¾" water and 4" sewer connections and 100 foot of frontage inside city -- current fees: \$2,375.00
- o Current residential ¾" water and 4" sewer connections and no frontage outside city -- current fees: \$875.00
- o This example shows that current fee structure can effectively amount to a disincentive for development within city

The following is a proposed cost comparison inside and outside city:

- o Proposed residential ¾" water and 4" sewer connections and no frontage inside city -- proposed fees: \$2,600.00
- o Proposed residential ¾' water and 4" sewer connections and no frontage outside city -- proposed fees: \$2,600.00
- o The proposed fee change would "level the playing field" by eliminating the disincentive

Mr. Bernhard explained that the advantages of new connection fees are:

- o Traditional utility industry concept that connection fees are a fee-for-service provided
- o Frontage charges eliminated - capital cost recovery factored into connection fees
- o Easier for staff to administer (takes less time) and for developers to understand

Councilman Burgin said he agreed with the logic but questioned if a customer had already paid for frontage and water/sewer taps, and only wanted to get an irrigation tap, this seems out of line. Mayor Pro Tem Woodson agreed. Mr. Burgin suggested perhaps a discount if one obtains the water/sewer tap and irrigation tap at the same time. He noted he hated for our citizens, who had paid under the old rate structure, to all of a sudden, not have the opportunity to get the irrigation tap if they wanted it.

Mr. Treme asked Council if it was the consensus that the increase on fees is too high.

Mayor Kluttz asked staff if we are not getting back what it costs us, are we not going to have to raise rates. Mr. Treme replied "yes." She questioned if it is fair for everyone in the city to pay for this service. Mr. Treme noted that anything the city doesn't recover on services has to be made up in the rate or from other sources.

Mr. Bernhardt noted that we are not just the City of Salisbury; we are the towns of Granite Quarry, Rockwell, Spencer, East Spencer, and possibly soon Faith, plus the other communities the city serves.

Mr. Burgin asked how many water taps/irrigation taps the city does. Mr. Larry Lyerly, Utilities System Manager, replied around 100-150 per year.

Mr. Treme noted staff will proceed to see what type of discount can be allowed if all taps are done at the same time or have already paid a frontage fee.

Mr. Bernhardt reviewed with Council the proposed plan review fees as follows:

- Utilities Engineering has seen a marked increase in new plan submittals
- Utilities Engineering will be adding staff and incurring significant additional costs to meet increased demand
- These costs should be borne by the individual customer and not by all rate payers
- Proposed plan review fee is based on the average staff time required to complete the review of each set of plans

Mr. Bernhardt informed Council of the proposed Septage Fee increase as follows:

- Proposed septage fee is based on the average cost to treat 2000 gallons of hauled domestic waste
- Septage loads require testing and a disproportionate amount of staff time and this cost should be borne by the septage hauler and not by our rate payers
- Many Wastewater Systems have stopped accepting septage altogether.

Salisbury-Rowan Utilities is simply working toward full cost recovery

In summary, Mr. Bernhardt informed Council of the Salisbury-Rowan Utilities proposed budget:

- o Approve water and sewer rate increase
- o Approve new connection fees
- o Eliminate frontage charges
- o Approve new plan review fee for both water and sewer plans
- o Reduced fees only in annexation areas for a limited time
- o Approve new septage fee

Ms. Teresa Harris, Budget and Performance Management Manager, presented a budget analysis between the FY 2002-2003 budget and the proposed FY 2003-2004 budget. Also included is the increase in health insurance coverage for all city employees, she said. Ms. Harris told Council there is a difference of \$713,296 from the FY2003 adjusted base budget to the FY2004 recommended budget.

BUILDING BLOCK ANALYSIS

City Manager Treme had Council list the top 10 areas they wanted funded in the FY-2003-2004 budget. They are as follows:

- Commitments
- Streets
- Operations
- Planner
- Civic Center
- Freedman Cemetery
- Fund Balance
- Web Designer
- Chamber of Commerce

- Marketing - EDC

The following items also need to be considered: Learning Curves; Drainage; and Club House Drive.

CLOSED SESSION

Mayor Kluttz informed Council that she would entertain a motion for the Council to go into closed session concerning negotiation of property acquisition located at 730 West Council Street per NCGS143-318.22(5).

Thereupon, Mr. Woodson made a **motion** to go into closed session. Mr. Kennedy seconded the motion. Messrs. Burgin, Kennedy, Martin, Woodson, and Ms. Kluttz voted AYE. (5-0)

RETURN TO OPEN SESSION

Mayor Pro Tem Woodson made a **motion** to return to open session. Mr. Martin seconded the motion. Messrs. Burgin, Kennedy, Martin, Woodson, and Ms. Kluttz voted AYE. (5-0)

Mayor Kluttz announced that Councilman Burgin had to leave (2:45 p.m.) and that no official action was taken in closed session.

RECESS

Upon motion of Mr. Woodson, seconded by Mr. Martin, and with Messrs. Kennedy, Martin, Woodson, and Ms. Kluttz voting AYE, the meeting was recessed at 2:53 p.m., until Thursday, June 12, 2003 at 12:00 noon in the Council Chambers at City Hall. (4-0)

Mayor

City Clerk